

SENATE BILL No. 88

DIGEST OF INTRODUCED BILL

Citations Affected: IC 23-4-1.

Synopsis: Revised Uniform Partnership Act. Changes the Indiana Uniform Partnership Act to conform to the Revised Uniform Partnership Act. Provides for partnership administration and partnership property ownership rights, including conveyance procedures. Makes changes to the liability and fiduciary duty of a partnership and the partners. Provides for the dissolution and conversion of partnerships and for the merger of partnerships and limited partnerships. Makes certain other changes and conforming amendments.

Effective: July 1, 2001.

Simpson

January 8, 2001, read first time and referred to Committee on Judiciary.

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First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

SENATE BILL No. 88

A BILL FOR AN ACT to amend the Indiana Code concerning business and other associations.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 23-4-1-2 IS AMENDED TO READ AS FOLLOWS
2 [EFFECTIVE JULY 1, 2001]: Sec. 2. **The following definitions apply**
3 in this chapter:

4 (a) "Court" includes every court and judge having jurisdiction in
5 the case.

6 (b) "Business" includes every trade, occupation, or profession.

7 (c) "Person" includes individuals, partnerships, limited liability
8 companies, corporations, and other associations.

9 ~~"Bankrupt" includes bankrupt under federal bankruptcy laws or~~
10 ~~insolvent under any state insolvent statute.~~

11 (d) "Conveyance" includes every assignment, lease, mortgage, or
12 encumbrance.

13 (e) "Debtor in bankruptcy" means a person who is the subject
14 of an order for relief under Title 11 U.S.C., a comparable
15 order under a successor statute of general application, or a
16 comparable order under federal, state, or foreign law
17 governing insolvency.



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(f) "Distribution" means a transfer of money or other property from a partnership to a partner or the partner's transferee in the partner's capacity as a partner.

(g) "Foreign limited liability partnership" means a limited liability partnership formed under an agreement governed by the laws of a jurisdiction other than Indiana and registered under the laws of the jurisdiction.

(h) "Limited liability partnership" means a partnership formed under an agreement governed by the laws of this state, registered under and complying with sections 45 through 52 of this chapter, and having a name that contains the words "Limited Liability Partnership" or the abbreviation "L.L.P." or "LLP" as the last words or letters of its name.

(i) "Partnership agreement" means the written, oral, or implied agreement among the partners concerning the partnership and includes amendments to the partnership agreement.

(j) "Property" means all real, personal, or mixed property that is tangible or intangible, or an interest in such property.

(k) "Real property" includes land and any interest or estate in land.

(l) "Statement" means a statement of:

- (1) partnership authority, under section 19.7 of this chapter;**
- (2) denial, under section 19.9 of this chapter;**
- (3) dissociation, under section 59 of this chapter;**
- (4) dissolution, under section 65 of this chapter; or**
- (5) merger, under section 74 of this chapter;**

or an amendment or cancellation of any of the foregoing.

SECTION 2. IC 23-4-1-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 3. (1) A person has "knowledge" of a fact within the meaning of this chapter not only when he has actual knowledge thereof, but also when he has knowledge of such other facts as in the circumstances shows bad faith.

(2) A person has "notice" of a fact within the meaning of this chapter ~~when the person who claims the benefit of the notice: if the person:~~

- ~~(a) states the fact to such person; or is told the fact by the person who claims benefit of the notice;~~
- ~~(b) delivers receives through the mail, or by other means of communication, a written statement of the fact to such person or to a proper person at his place of business or residence~~

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notification of the fact; or

(c) has reason to know it exists from all of the facts known to the person at the time in question.

(3) A person receives a notification when the notification:

(a) comes to the person's attention; or

(b) is delivered at the person's place of business or other place held out by the person as a place for receiving communications.

(4) A person notifies or gives a notification by taking steps reasonably required to inform another person in ordinary course, whether or not the other person learns of it.

(5)(a) For purposes of this subsection, a person exercises reasonable diligence if the person maintains reasonable procedures for communicating significant information to an individual conducting a particular transaction and there is reasonable compliance with the procedures. Reasonable diligence does not require an individual acting for the person to communicate information unless the communication is part of the individual's regular duties or the individual has reason to know of the transaction and that the transaction would be materially affected by the information.

(b) Except as provided in section 12 of this chapter, a person other than an individual knows, has notice, or receives a notification of a fact for purposes of a particular transaction:

(1) when the individual conducting the transaction knows, has notice, or receives a notification of the fact; or

(2) in any event when the fact would have been brought to the individual's attention if the person had exercised reasonable diligence.

SECTION 3. IC 23-4-1-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 5. (1) In any case not provided for in this chapter, the rules of law and equity, including the law merchant, shall govern.

(2) If an obligation to pay interest arises under this chapter and the rate is not specified or agreed upon, the rate must be that provided by IC 24-4.6-1-102.

SECTION 4. IC 23-4-1-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 6. (1) A partnership is an association of two (2) or more persons to carry on as co-owners a business for profit, **whether or not the persons intended to form a partnership**, and includes for all purposes of the laws of this state a limited liability partnership.

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(2) An association formed under any other statute of this state, or any statute adopted by authority, other than the authority of this state, is not a partnership under this chapter, unless such association would have been a partnership in this state prior to January 1, 1950; but this chapter shall apply to limited partnerships except insofar as the statutes relating to such partnerships are inconsistent with this chapter.

(3) A partnership is an entity distinct from its partners.

SECTION 5. IC 23-4-1-7.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 7.5. (1) A partnership may sue and be sued in the name of the partnership.

(2) An action may be brought against the partnership and any or all of the partners in the same action or in separate actions.

(3) A judgment against a partnership is not by itself a judgment against a partner. A judgment against a partnership may not be satisfied from a partner's assets unless there is also a judgment against the partner.

(4) A judgment creditor of a partner may not levy execution against the assets of the partner to satisfy a judgment based on a claim against the partnership unless:

(a) a judgment based on the same claim has been obtained against the partnership and a writ of execution on the judgment has been returned unsatisfied in whole or in part;

(b) the partnership is a debtor in bankruptcy;

(c) the partner has agreed that the creditor need not exhaust partnership assets;

(d) a court grants permission to the judgment creditor to levy execution against the assets of a partner based on a finding that partnership assets subject to execution are clearly insufficient to satisfy the judgment, that exhaustion of partnership assets is excessively burdensome, or that the grant of permission is an appropriate exercise of the court's equitable powers; or

(e) liability is imposed on the partner by law or contract independent of the existence of the partnership.

(5) This section applies to any partnership liability or obligation resulting from a representation by a partner or purported partner under section 16 of this chapter.

SECTION 6. IC 23-4-1-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 8. (1) Property is acquired in the name of a partnership if it is transferred to:

(a) the partnership in its name; or



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(b) one (1) or more partners in their capacity as partners if the name of the partnership is indicated in the instrument transferring title to the property.

(2) All property originally brought into the partnership stock or subsequently acquired:

(a) in the name of the partnership; or

(b) in the name of one (1) or more partners with an indication in the instrument transferring title to the property of:

(1) the partner's capacity as a partner; or

(2) the existence of the partnership, with or without the name of the partnership;

by purchase or otherwise, on account of the partnership, is partnership property.

~~(2)~~ **(3) Unless the contrary intention appears, property acquired with partnership funds is partnership property, even if not acquired in the name of the partnership or of one (1) or more partners if the instrument transferring title to the property indicates:**

(a) the partner's capacity as a partner; or

(b) the existence of the partnership.

~~(3)~~ **(4) Any estate in real property may be acquired in the partnership name. Title so acquired can be conveyed only in the partnership name.**

~~(4)~~ **(5) A conveyance to a partnership in the partnership name, though without words of inheritance, passes the entire estate of the grantor unless a contrary intent appears.**

(6) Property acquired in the name of one (1) or more partners, without use of partnership assets and without an indication in the instrument transferring title to the property of:

(a) the partner's capacity as a partner; or

(b) the existence of the partnership;

is presumed not to be partnership property, even if used for partnership purposes.

SECTION 7. IC 23-4-1-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 9. (1) Every partner is an agent of the partnership for the purpose of its business, and the act of every partner, including the execution in the partnership name of any instrument, for apparently carrying on in the usual way the business of the partnership of which he is a member binds the partnership, unless the partner so acting has in fact no authority to act for the partnership in the particular matter, and the person with whom he is dealing has knowledge **or has received notice** of the fact that he has no such authority.

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(2) An act of a partner which is not apparently for the carrying on of the business of the partnership in the usual way does not bind the partnership unless **the act was** authorized by the other partners.

(3) Unless authorized by the other partners or unless they have abandoned the business, one (1) or more but less than all the partners have no authority to:

(a) Assign the partnership property in trust for creditors or on the assignee's promise to pay the debts of the partnership.

(b) Dispose of the good will of the business.

(c) Do any other act which would make it impossible to carry on the ordinary business of a partnership.

(d) Confess a judgment.

(e) Submit a partnership claim or liability to arbitration or reference.

(4) No act of a partner in contravention of a restriction on authority shall bind the partnership to persons having knowledge of the restriction.

SECTION 8. IC 23-4-1-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 10. (1) Where title to ~~real~~ property is in the partnership name, any partner may convey title to such property by a conveyance executed in the partnership name. ~~but the partnership may recover such property unless the partner's act binds the partnership under the provisions of section 9(1) of this chapter, or unless such property has been conveyed by the grantee or a person claiming through such grantee to a holder for value without knowledge that the partner, in making the conveyance, has exceeded his authority.~~

(2) Where title to real property is in the name of the partnership; a conveyance executed by a partner, in his own name, passes the equitable interest of the partnership; provided the act is one within the authority of the partner under the provisions of section 9(1) of this chapter. **Where the title to partnership property is held in the name of one (1) or more but not all the partners and the instrument transferring the property to them indicates:**

(a) their capacity as partners; or

(b) the existence of the partnership, without giving the name of the partnership;

the property may be transferred by a conveyance executed by the partners in whose name the property is held.

(3) Where title to real property is in the name of one (1) or more but not all the partners; and the record does not disclose the right of the partnership; the partners in whose name the title stands may convey title to such property; but the partnership may recover such property if

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the partners' act does not bind the partnership under the provisions of section 9(1) of this chapter, unless the purchaser or his assignee, is a holder for value, without knowledge. Where the title to partnership property is held in the name of one (1) or more but not all the partners and the instrument transferring the property to them does not indicate:

- (a) their capacity as partners; or
- (b) the existence of the partnership, without giving the name of the partnership;

the property may be transferred by a conveyance executed by the partners in whose name the property is held.

(4) Where the title to real property is in the name of one (1) or more or all the partners, or in a third person in trust for the partnership, a conveyance executed by a partner in the partnership name, or in his own name, passes the equitable interest of the partnership, provided the act is one within the authority of the partner under the provisions of section 9(1) of this chapter.

(5) Where the title to real property is in the names of all the partners, a conveyance executed by all the partners passes all their rights in such property.

(6) A partnership may recover partnership property from a transferee only if it proves that execution of the conveyance did not bind the partnership under section 9(1) of this chapter and:

- (a) as to a subsequent transferee who gave value for property transferred under subsection (1) or (2), proves that the subsequent transferee knew or had received notice that the person who executed the original conveyance lacked authority to bind the partnership; or
- (b) as to a transferee who gave value for property transferred under subsection (3), proves that the transferee knew or had notice that the property was partnership property and that the person who executed the original conveyance lacked authority to bind the partnership.

(7) A partnership may not recover partnership property from a subsequent transferee if the partnership would not have been entitled to recover the property under subsection (6) from an earlier transferee.

(8) If a person holds all the interests of the partners in a partnership, all of the partnership's property vests in that person. The person may execute a document in the name of the partnership to evidence vesting of the property in that person and may file or record the document.



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1 SECTION 9. IC 23-4-1-14 IS AMENDED TO READ AS
 2 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 14. The partnership is
 3 bound to make good ~~the a~~ loss:

4 (a) where one partner acting within the scope of his apparent
 5 authority receives money or property of a third person and
 6 misapplies it; ~~and or~~

7 (b) where the partnership in the course of its business receives
 8 money or property of a third person and the money or property so
 9 received is misapplied by any partner while it is in the custody of
 10 the partnership.

11 SECTION 10. IC 23-4-1-15 IS AMENDED TO READ AS
 12 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 15. (1) Except as
 13 provided in ~~paragraph subsection~~ (2) **and section 17 of this chapter**,
 14 all partners are liable

15 ~~(a) jointly and severally for everything chargeable to all~~
 16 **obligations of the partnership under sections 13 and 14 of this**
 17 **chapter unless otherwise agreed to by a claimant or provided**
 18 **by law.**

19 ~~(b) Jointly for all other debts and obligations of the partnership;~~
 20 ~~but any partner may enter into a separate obligation to perform a~~
 21 ~~partnership contract.~~

22 (2) A partner of a limited liability partnership is not personally
 23 liable, directly or indirectly, including by way of indemnification,
 24 contribution, or otherwise, for:

25 (a) the debts, obligations, or liabilities of, or chargeable to, the
 26 limited liability partnership or other partner or partners, whether
 27 arising in tort, contract, or otherwise; or

28 (b) the acts or omissions of any other partner;

29 solely by reason of being a partner, acting or failing to act as a partner,
 30 or participating as an employee, a consultant, a contractor, or otherwise
 31 in the conduct of the business or activities of the limited liability
 32 partnership while the partnership is a limited liability partnership.

33 (3) A partner of a limited liability partnership may be personally
 34 liable for the partner's own acts or omissions.

35 (4) A limited liability partnership is liable out of partnership assets
 36 for partnership debts, obligations, and liabilities.

37 (5) A partner in a limited liability partnership is not a proper party
 38 to a proceeding by or against the limited liability partnership, the object
 39 of which is to recover any debts, obligations, or liabilities of, or
 40 chargeable to, the partnership, unless the partner is personally liable
 41 under ~~paragraph subsection~~ (3).

42 (6) The laws of Indiana or another jurisdiction may not impose

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personal liability on a partner in a limited liability partnership. The only actions required of a limited liability partnership or of individual partners in such a partnership in order to avail themselves of the limited liability provisions of this chapter are those required by this chapter.

SECTION 11. IC 23-4-1-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 16. (1) When a person, by words spoken or written or by conduct, represents himself, or consents to another representing him ~~or any one~~, **to anyone** as a partner in an existing partnership or with one (1) or more persons not actual partners, he is liable to any such person to whom such representation has been made, who has, on the faith of such representation, given credit to the actual or apparent partnership, and if he has made such representation or consented to its being made in a public manner he is liable to such person, whether the representation has or has not been made or communicated to such person so giving credit by or with the knowledge of the apparent partner making the representation or consenting to its being made.

(a) When a partnership liability results, he is liable as though he were an actual member of the partnership.

(b) When no partnership liability results, he is liable jointly with the other persons, if any, so consenting to the contract or representation as to incur liability, otherwise separately.

(2) When a person has been thus represented to be a partner in an existing partnership, or with one (1) or more persons not actual partners, he is an agent of the persons consenting to such representation to bind them to the same extent and in the same manner as though he were a partner in fact, with respect to persons who rely upon the representation. Where all the members of the existing partnership consent to the representation, a partnership act or obligation results; but in all other cases it is the joint act or obligation of the person acting and the persons consenting to the representation.

(3) A person is not liable as a partner solely because the person is named by another in a statement of partnership authority.

(4) A person does not continue to be liable as a partner solely because of a failure to file a statement of dissociation or to amend a statement of partnership authority to indicate the partner's dissociation from the partnership.

(5) Except as provided in subsections (1) and (2), persons who are not partners as to each other are not liable as partners to other persons.

SECTION 12. IC 23-4-1-18 IS AMENDED TO READ AS



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FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 18. **(1) Except as provided under subsection (2), the rights and duties of the partners in relation to the partnership and to each other shall be determined, subject to any agreement between them, by the following rules:**

(a) Each partner shall be repaid his contributions, whether by way of capital or advances to the partnership property and share equally in the profits and surplus remaining after all liabilities, including those to partners, are satisfied; and except as provided in section 15(2) of this chapter, each partner must contribute toward the losses, whether of capital or otherwise, sustained by the partnership according to his share in the profits.

(b) The partnership must indemnify every partner ~~in respect of payments made and for~~ personal liabilities reasonably incurred **and reimburse a partner for payments made** by him in the ordinary and proper conduct of its business, or for the preservation of its business or property. **A partnership obligation that arises under this subdivision constitutes a loan to the partnership and accrues interest from the date the payment is made.**

(c) A partner, who in aid of the partnership makes any payment or advance beyond the amount of capital which he agreed to contribute, shall be paid interest from the date of the payment or advance.

(d) A partner shall receive interest on the capital contributed by him only from the date when repayment should be made.

(e) All partners have equal rights in the management and conduct of the partnership business.

(f) No partner is entitled to remuneration for acting in the partnership business, except that a surviving partner is entitled to reasonable compensation for his services in winding up the partnership affairs.

(g) No person can become a member of a partnership without the consent of all the partners.

(h) Any difference arising as to ordinary matters connected with the partnership business may be decided by a majority of the partners; but no act in contravention of any agreement between the partners may be done rightfully without the consent of all the partners.

(i) The law of the jurisdiction in which a partnership has its chief executive office governs relations among the partners and between the partners and the partnership.

(2) A partnership agreement may not:



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- (a) vary the rights and duties under section 19.5 of this chapter except to eliminate the duty to provide copies of statements to all of the partners;
- (b) unreasonably restrict the right of access to books and records under section 19 of this chapter;
- (c) eliminate the duty of loyalty under sections 21(2)(c) and 55(2)(c) of this chapter, but:
- (1) the partnership agreement may identify specific types of activities that do not violate the duty if not manifestly unreasonable; or
 - (2) all of the partners, or a number or percentage specified in the partnership agreement, may authorize or ratify, after full disclosure of all material facts, a specific act that otherwise would violate the duty;
- (d) unreasonably reduce the duty of care under section 21(3) or 55(2)(c) of this chapter;
- (e) eliminate the obligation of good faith and fair dealing under section 21(4) of this chapter, but the partnership agreement may prescribe the standards by which the obligation is measured if the standards are not manifestly unreasonable;
- (f) vary the power to dissociate a partner as a partner under section 54(1) of this chapter, except to require the notice under section 53(1) of this chapter to be in writing;
- (g) vary the right of a court to expel a partner in the events specified in section 53(5) of this chapter;
- (h) vary the requirement to wind up partnership business under section 67(4) through 67(6) of this chapter; or
- (i) restrict the rights of third parties under this chapter.

SECTION 13. IC 23-4-1-18.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 18.5. A partner has no right to receive, and may not be required to accept, a distribution in kind.**

SECTION 14. IC 23-4-1-19 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 19. (1) The partnership books and records shall be kept, subject to any agreement between the partners, at the principal place of business chief executive office of the partnership, and every partner shall at all times have access to and may inspect and copy any of them.**

(2) A partnership shall provide during regular business hours a former partner and the former partner's agent and attorney access to and an opportunity to inspect and copy books and records



1 pertaining to the period the former partner was a partner. A
 2 partnership may impose a reasonable charge to cover the costs of
 3 labor and material for copies of documents.

4 (3) A partner and the partnership shall furnish to a partner or
 5 the legal representative of a deceased partner or partner under
 6 legal disability:

7 (a) without demand, any information concerning the
 8 partnership's business and affairs reasonably required for the
 9 proper exercise of the partner's rights and duties under the
 10 partnership agreement or this chapter; and

11 (b) on demand, any other information concerning the
 12 partnership's business and affairs, except to the extent the
 13 demand or the information demanded is unreasonable or
 14 otherwise improper under the circumstances.

15 SECTION 15. IC 23-4-1-19.5 IS ADDED TO THE INDIANA
 16 CODE AS A NEW SECTION TO READ AS FOLLOWS
 17 [EFFECTIVE JULY 1, 2001]: Sec. 19.5. (1) A statement or a
 18 certified copy of a statement that is filed in another state may be
 19 filed in the office of the secretary of state. A filing under this
 20 section has the effect provided in this chapter with respect to
 21 partnership property located in or transactions that occur in
 22 Indiana.

23 (2) A certified copy of a statement that has been filed under
 24 subsection (1) and recorded in an appropriate office for recording
 25 transfers of real property has the effect provided for recorded
 26 instruments in this chapter. A recorded statement that is not a
 27 certified copy of a statement filed under subsection (1) does not
 28 have that effect.

29 (3) A statement filed by a partnership must be executed by at
 30 least two (2) partners. Other statements must be executed by a
 31 partner or other person authorized under this chapter. An
 32 individual who executes a statement as, or on behalf of, a partner
 33 or other person named as a partner in a statement shall declare
 34 under penalty of perjury that the contents of the statement are
 35 accurate.

36 (4) A person authorized by this chapter to file a statement may
 37 amend or cancel the statement by filing an amendment or
 38 cancellation that names the partnership, identifies the statement,
 39 and states the substance of the amendment or cancellation.

40 (5) A person who files a statement under this section shall
 41 promptly send a copy of the statement to every nonfiling partner
 42 and to any other person named as a partner in the statement.



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1 Failure to send a copy under this subsection does not limit the
2 effectiveness of the statement as to a partner or other person.

3 (6) The secretary of state may collect a fee for filing or
4 providing a certified copy of a statement. A recording officer under
5 subsection (2) may collect a fee for recording a statement.

6 SECTION 16. IC 23-4-1-19.7 IS ADDED TO THE INDIANA
7 CODE AS A NEW SECTION TO READ AS FOLLOWS
8 [EFFECTIVE JULY 1, 2001]: Sec. 19.7. (1) A partnership may file
9 a statement of partnership authority that:

10 (a) must include:

11 (1) the name of the partnership;

12 (2) the street address of the partnership's chief executive
13 office and of one (1) office in the state, if there is any;

14 (3) the names and mailing addresses of the partners or of
15 an agent appointed and maintained by the partnership for
16 purposes of subsection (2); and

17 (4) the names of the partners authorized to execute an
18 instrument transferring real property held in the name of
19 the partnership; and

20 (b) may state the authority, or limitations of authority, of
21 some or all of the partners to enter into transactions not
22 involving the transfer of real property on behalf of the
23 partnership and any other matter.

24 (2) If a statement of partnership authority names an agent, the
25 agent shall maintain a list of the names and mailing addresses of
26 the partners and make it available to a person on request for good
27 cause.

28 (3) If a filed statement of partnership authority is executed
29 under section 19.5(3) of this chapter and states the name of the
30 partnership but does not contain all the information required by
31 subsection (1), the statement nevertheless operates with respect to
32 a person not a partner as provided in subsections (4) and (5).

33 (4) Except as provided in subsection (7), a filed statement of
34 partnership authority supplements the authority of a partner to
35 enter into a transaction on behalf of the partnership as follows:

36 (a) Except for transfers of real property, a grant of authority
37 contained in a filed statement of partnership authority is
38 conclusive in favor of a person who gives value without
39 knowledge to the contrary, so long as and to the extent that a
40 limitation on that authority is not then contained in another
41 filed statement. A filed cancellation of a limitation on
42 authority revives the previous grant of authority.

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(b) A grant of authority to transfer real property held in the name of the partnership contained in a certified copy of a filed statement of partnership authority recorded under section 19.5 of this chapter is conclusive in favor of a person who gives value without knowledge to the contrary, so long as and to the extent that a certified copy of a filed statement containing a limitation on that authority is not then of record in the office for recording transfers of that real property. The recording of a certified copy of a filed cancellation of authority in that office revives the previous grant of authority.

(5) A person not a partner is considered to know of a limitation on the authority of a partner to transfer real property held in the name of the partnership if a certified copy of the filed statement containing the limitation on authority is of record in the office for recording transfers of that property.

(6) Except as provided in subsections (4) and (5) and sections 59 and 65 of this chapter, a person not a partner is not considered to know of a limitation on the authority of a partner merely because the limitation is contained in a filed statement.

(7) Unless canceled earlier, a filed statement of partnership authority is canceled by operation of law five (5) years after the date on which the statement, or its most recent amendment, was filed with the secretary of state.

SECTION 17. IC 23-4-1-19.9 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 19.9. A partner or other person named as a partner in a filed statement of partnership authority or in a list maintained by an agent under section 19.7(2) of this chapter may file a statement of denial stating the name of the partnership and the fact that is being denied. A denial under this section may include denial of a person's authority or status as a partner. A statement of denial is a limitation on authority under section 19.7(4) and 19.7(5) of this chapter.**

SECTION 18. IC 23-4-1-21 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 21. (1) The only fiduciary duties a partner owes to the partnership and the other partners are the duty of loyalty and the duty of care set forth in subsections (2) and (3).**

(2) A partner's duty of loyalty is limited to the following:

(a) ~~Every~~ A partner ~~must~~ **shall** account to the partnership for any benefit, and hold as trustee for it any profits derived by him without the consent of the other partners from any transaction



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connected with the formation, conduct, or liquidation of the partnership or from any use by him of its property, **including the appropriation of a partnership opportunity.**

(b) A partner shall refrain from dealing with the partnership in the conduct or winding up of the partnership business as or on behalf of a party having an interest adverse to the partnership.

(c) A partner shall refrain from competing with the partnership in the conduct of the partnership business before the dissolution of the partnership.

(3) A partner's duty of care in the conduct and winding up of the partnership business is limited to refraining from engaging in grossly negligent or reckless conduct, intentional misconduct, or a knowing violation of law.

(4) A partner shall discharge the duties under this chapter and the partnership agreement and exercise the partner's rights consistently with the obligation of good faith and fair dealing.

(5) A partner does not violate a duty or obligation under this chapter or the partnership agreement merely because the partner's conduct furthers the partner's own interest.

(6) A partner may lend money to and transact other business with the partnership. Except as otherwise provided, the rights and obligations of the partner for each transaction are the same as those of a person who is not a partner.

(7) This section applies also to the representatives of a deceased partner engaged in the liquidation of the affairs of the partnership as the personal representatives of the last surviving partner.

SECTION 19. IC 23-4-1-22.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 22.5. (1) A partnership may maintain an action against a partner for a breach of the partnership agreement or the violation of a duty to the partnership causing harm to the partnership.

(2) A partner may maintain an action against the partnership or another partner for legal or equitable relief, with or without an accounting as to partnership business, to enforce:

(a) the partner's rights under the partnership agreement;

(b) the partner's rights under this chapter, including:

(1) the partner's rights under sections 18, 19, and 21 of this chapter;

(2) the partner's right on dissociation to have the partner's interest in the partnership purchased under section 56 of

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1 this chapter or enforce any other right under sections 53
2 through 60 of this chapter; or

3 (3) the partner's right to compel a dissolution and winding
4 up of the partnership under section 61 of this chapter or
5 enforce any other right under sections 61 through 67 of
6 this chapter; or

7 (c) the rights and otherwise protect the interests of the
8 partner, including rights and interests arising independently
9 of the partnership.

10 (3) A right to an accounting upon a dissolution and winding up
11 does not revive a claim barred by law.

12 SECTION 20. IC 23-4-1-25 IS AMENDED TO READ AS
13 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 25. (†) A partner is **not**
14 a co-owner with his partners of specific partnership property holding
15 as a tenant in partnership: and has no transferable interest in
16 partnership property.

17 (2) The incidents of this tenancy are such that:

18 (a) A partner, subject to the provisions of this chapter and to any
19 agreement between the partners, has an equal right with his
20 partners to possess specific partnership property for partnership
21 purposes; but he has no right to possess such property for any
22 other purpose without the consent of his partners:

23 (b) A partner's right in specific partnership property is not
24 assignable except in connection with the assignment of rights of
25 all the partners in the same property:

26 (c) A partner's right in specific partnership property is not subject
27 to attachment or execution, except on a claim against the
28 partnership. When partnership property is attached for a
29 partnership debt, the partners, or any of them, or the
30 representatives of a deceased partner, cannot claim any right
31 under the homestead or exemption laws:

32 (d) On the death of a partner, his right in specific partnership
33 property vests in the surviving partner or partners, except where
34 the deceased was the last surviving partner, when his right in such
35 property vests in his legal representative. Such surviving partner
36 or partners, or the legal representative of the last surviving
37 partner, has no right to possess the partnership property for any
38 but a partnership purpose:

39 (e) A partner's right in specific partnership property is not subject
40 to allowances to surviving spouses, heirs, or next of kin.

41 SECTION 21. IC 23-4-1-26 IS AMENDED TO READ AS
42 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 26. A partner's

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1 **transferable** interest in the partnership is ~~his~~ **the partner's** share of
 2 the profits and ~~surplus, losses of the partnership and the partner's~~
 3 **right to receive distributions.** and The ~~same~~ **interest** is personal
 4 property.

5 SECTION 22. IC 23-4-1-27 IS AMENDED TO READ AS
 6 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 27. (1) A conveyance
 7 by a partner, **in whole or in part**, of his interest in the partnership does
 8 not of itself **cause the partner's dissociation or** dissolve the
 9 partnership, nor, as against the other partners in the absence of
 10 agreement, entitle the assignee, during the continuance of the
 11 partnership, to interfere in the management or administration of the
 12 partnership business or affairs, or to require any information or account
 13 of partnership transactions, or to inspect the partnership books.

14 **(2) A conveyance under subsection (1) but it** merely entitles the
 15 assignee to:

16 **(a)** receive in accordance with his contract the ~~profits~~
 17 **distributions** to which the assigning partner would otherwise be
 18 entitled;

19 ~~(2) (b)~~ **(b)** in case of a dissolution of the partnership, ~~the assignee is~~
 20 **entitled to** receive his assignor's interest and ~~may~~ require an
 21 account from the date only of the last account agreed to by all the
 22 partners; **and**

23 **(c)** seek under section 61(6) of this chapter a judicial
 24 determination that is equitable to wind up the partnership
 25 business.

26 **(3) Upon conveyance under subsection (1), the assignor retains**
 27 **the rights and duties of a partner other than the interest in**
 28 **distributions transferred.**

29 **(4) A partnership need not give effect to an assignee's rights**
 30 **under this section until it has notice of the transfer.**

31 **(5) A conveyance of a partner's transferable interest in the**
 32 **partnership in violation of a restriction on transfer contained in the**
 33 **partnership agreement is ineffective as to a person having notice**
 34 **of the restriction at the time of transfer.**

35 SECTION 23. IC 23-4-1-28 IS AMENDED TO READ AS
 36 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 28. (1) On due
 37 application to a competent court by any judgment creditor of a partner
 38 **or a partner's assignee**, the court which entered the judgment, order,
 39 or decree, or any other court, may charge the interest of the **judgment**
 40 debtor ~~partner~~ with payment of the unsatisfied amount of such
 41 judgment debt with interest thereon; and may then or later appoint a
 42 receiver of his share of the profits, and of any other money due or to

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fall due to him in respect of the partnership, and make all other orders, directions, accounts, and inquiries which the **judgment debtor partner** might have made, or which the circumstances of the case may require.

(2) **A charging order constitutes a lien on the judgment debtor's transferable interest in the partnership. The court may order a foreclosure of the interest subject to the charging order at any time. A purchaser at a foreclosure sale has the rights of a transferee of the interest.**

(3) The interest charge may be redeemed at any time before foreclosure, or in case of a sale being directed by the court may be purchased without thereby causing a dissolution:

(a) with separate property, by any one (1) or more of the partners;
or

(b) with partnership property, by any one (1) or more of the partners with the consent of all the partners whose interests are not so charged or sold.

~~(3)~~ (4) Nothing in this chapter shall be held to deprive a partner of his right, if any, under the exemption laws, as regards his interest in the partnership.

(5) **This section provides the exclusive remedy by which a judgment creditor of a partner or partner's transferee may satisfy a judgment out of the judgment debtor's transferable interest in the partnership.**

SECTION 24. IC 23-4-1-46 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 46. A partnership that has registered as a limited liability partnership is for all purposes the same entity that existed before the registration and continues to be a partnership under the laws of this state. If a limited liability partnership dissolves under section ~~29~~ **61** of this chapter, a partnership that is a successor to the limited liability partnership and that intends to be a limited liability partnership is not required to file a new registration and is considered to have filed any documents required or permitted under this section that were filed by the predecessor partnership.

SECTION 25. IC 23-4-1-53 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 53. A partner is dissociated from a partnership upon the occurrence of any of the following:**

(1) **The partnership's having notice of the partner's express will to withdraw as a partner immediately or on a later date specified by the partner.**

(2) **An event agreed to in the partnership agreement as causing the partner's dissociation.**



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1 (3) The partner's expulsion under the partnership agreement.

2 (4) The partner's expulsion by the unanimous vote of the
3 other partners if:

4 (a) it is unlawful to carry on the partnership business with
5 that partner;

6 (b) there has been a transfer of all or substantially all of
7 that partner's transferable interest in the partnership,
8 other than a transfer for security purposes, or a court
9 order charging the partner's interest, which has not been
10 foreclosed;

11 (c) within ninety (90) days after the partnership notifies a
12 corporate partner that it will be expelled because it has
13 filed a certificate of dissolution or the equivalent, its
14 charter has been revoked, or its right to conduct business
15 has been suspended by the jurisdiction of its incorporation,
16 there is no revocation of the certificate of dissolution or no
17 reinstatement of its charter or its right to conduct
18 business; or

19 (d) a partnership that is a partner has been dissolved and
20 its business is being wound up.

21 (5) On application by the partnership or another partner, the
22 partner's expulsion by judicial determination because:

23 (a) the partner engaged in wrongful conduct that adversely
24 and materially affected the partnership business;

25 (b) the partner willfully or persistently committed a
26 material breach of the partnership agreement or of a duty
27 owed to the partnership or the other partners under
28 section 18 of this chapter; or

29 (c) the partner engaged in conduct relating to the
30 partnership business that makes it not reasonably
31 practicable to carry on the business in partnership with the
32 partner.

33 (6) The partner's:

34 (a) becoming a debtor in bankruptcy;

35 (b) executing an assignment for the benefit of creditors;

36 (c) seeking, consenting to, or acquiescing in the
37 appointment of a trustee, receiver, or liquidator of that
38 partner or of all or substantially all of that partner's
39 property; or

40 (d) failing, within ninety (90) days after the appointment,
41 to have vacated or stayed the appointment of a trustee,
42 receiver, or liquidator of the partner or of all or

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substantially all of the partner's property obtained without the partner's consent or acquiescence, or failing within ninety (90) days after the expiration of a stay to have the appointment vacated.

(7) Where a partner is an individual:

- (a) the partner's death;
- (b) the appointment of a guardian or general conservator for the partner; or
- (c) a judicial determination that the partner has otherwise become incapable of performing the partner's duties under the partnership agreement.

(8) Where a partner is a trust or is acting as a partner by virtue of being a trustee of a trust, distribution of the trust's entire transferable interest in the partnership, but not merely by reason of the substitution of a successor trustee.

(9) Where a partner is an estate or is acting as a partner by virtue of being a personal representative of an estate, distribution of the estate's entire transferable interest in the partnership, but not merely by reason of the substitution of a successor personal representative.

(10) Termination of a partner who is not an individual, partnership, corporation, trust, or estate.

SECTION 26. IC 23-4-1-54 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 54. (1) A partner has the power to dissociate at any time, rightfully or wrongfully, by express will under section 53(1) of this chapter.**

(2) A partner's dissociation is wrongful only if:

- (a) it is in breach of an express provision of the partnership agreement; or
- (b) in the case of a partnership for a definite term or particular undertaking, before the expiration of the term or the completion of the undertaking:

(1) the partner withdraws by express will, unless the withdrawal follows within ninety (90) days after another partner's dissociation by death or otherwise under section 53(6) through 53(10) of this chapter or wrongful dissociation under this subsection;

(2) the partner is expelled by judicial determination under section 53(5) of this chapter;

(3) the partner is dissociated by becoming a debtor in bankruptcy; or

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(4) where a partner is not an individual, trust other than a business trust, or estate, the partner is expelled or otherwise dissociated because it willfully dissolved or terminated.

(3) A partner who wrongfully dissociates is liable to the partnership and to the other partners for damages caused by the dissociation. The liability is in addition to any other obligation of the partner to the partnership or to the other partners.

SECTION 27. IC 23-4-1-55 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 55. (1) If a partner's dissociation results in a dissolution and winding up of the partnership business, sections 61 through 67 of this chapter apply; otherwise, sections 56 through 60 of this chapter apply.

(2) Upon a partner's dissociation:

(a) the partner's right to participate in the management and conduct of the partnership business terminates, except as otherwise provided in section 63 of this chapter;

(b) the partner's duty of loyalty under section 21(2)(c) of this chapter terminates; and

(c) the partner's duty of loyalty under section 21(2)(a) and 21(2)(b) of this chapter and duty of care under section 21(3) of this chapter continue only with regard to matters arising and events occurring before the partner's dissociation, unless the partner participates in winding up the partnership's business under section 63 of this chapter.

SECTION 28. IC 23-4-1-56 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 56. (1) If a partner is dissociated from a partnership without resulting in a dissolution and winding up of the partnership business under section 61 of this chapter, the partnership shall cause the dissociated partner's interest in the partnership to be purchased for a buyout price determined pursuant to subsection (2).

(2) The buyout price of a dissociated partner's interest is the amount that would have been distributable to the dissociating partner under section 67(2) of this chapter if, on the date of dissociation, the assets of the partnership were sold at a price equal to the greater of the liquidation value or the value based on a sale of the entire business as a going concern without the dissociated partner and the partnership were wound up as of that date. Interest must be paid from the date of dissociation to the date of



1 payment.

2 (3) Damages for wrongful dissociation under section 54(2) of
3 this chapter, and all other amounts owing, whether or not
4 presently due, from the dissociated partner to the partnership,
5 must be offset against the buyout price. Interest must be paid from
6 the date the amount owed becomes due to the date of payment.

7 (4) A partnership shall indemnify a dissociated partner whose
8 interest is being purchased against all partnership liabilities,
9 whether incurred before or after the dissociation, except liabilities
10 incurred by an act of the dissociated partner under section 57 of
11 this chapter.

12 (5) If no agreement for the purchase of a dissociated partner's
13 interest is reached within one hundred twenty (120) days after a
14 written demand for payment, the partnership shall pay, or cause
15 to be paid, in cash to the dissociated partner the amount the
16 partnership estimates to be the buyout price and accrued interest,
17 reduced by any offsets and accrued interest under subsection (3).

18 (6) If a deferred payment is authorized under subsection (8), the
19 partnership may tender a written offer to pay the amount it
20 estimates to be the buyout price and accrued interest, reduced by
21 any offsets under subsection (3), stating the time of payment, the
22 amount and type of security for payment, and the other terms and
23 conditions of the obligation.

24 (7) The payment or tender required by subsection (5) or (6)
25 must be accompanied by the following:

26 (a) A statement of partnership assets and liabilities as of the
27 date of dissociation.

28 (b) The latest available partnership balance sheet and income
29 statement, if any.

30 (c) An explanation of how the estimated amount of the
31 payment was calculated.

32 (d) Written notice that the payment is in full satisfaction of
33 the obligation to purchase unless, within one hundred twenty
34 (120) days after the written notice, the dissociated partner
35 commences an action to determine the buyout price, any
36 offsets under subsection (3), or other terms of the obligation
37 to purchase.

38 (8) A partner who wrongfully dissociates before the expiration
39 of a definite term or the completion of a particular undertaking is
40 not entitled to payment of any portion of the buyout price until the
41 expiration of the term or completion of the undertaking, unless the
42 partner establishes to the satisfaction of the court that earlier

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1 payment will not cause undue hardship to the business of the
 2 partnership. A deferred payment must be adequately secured and
 3 bear interest.

4 (9) A dissociated partner may maintain an action against the
 5 partnership, under section 22.5(2)(b)(2) of this chapter, to
 6 determine the buyout price of that partner's interest, any offsets
 7 under subsection (3), or other terms of the obligation to purchase.
 8 The action must be commenced within one hundred twenty (120)
 9 days after the partnership has tendered payment or an offer to pay
 10 or within one (1) year after written demand for payment if no
 11 payment or offer to pay is tendered. The court shall determine the
 12 buyout price of the dissociated partner's interest, any offset due
 13 under subsection (3), and accrued interest, and enter judgment for
 14 any additional payment or refund. If deferred payment is
 15 authorized under subsection (8), the court shall also determine the
 16 security for payment and other terms of the obligation to purchase.
 17 The court may assess reasonable attorney's fees and the fees and
 18 expenses of appraisers or other experts for a party to the action, in
 19 amounts the court finds equitable, against a party that the court
 20 finds acted arbitrarily, vexatiously, or not in good faith. The
 21 finding may be based on the partnership's failure to tender
 22 payment or an offer to pay or to comply with subsection (7).

23 SECTION 29. IC 23-4-1-57 IS ADDED TO THE INDIANA CODE
 24 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 25 1, 2001]: Sec. 57. (1) For two (2) years after a partner dissociates
 26 without resulting in a dissolution and winding up of the
 27 partnership business, the partnership, including a surviving
 28 partnership under sections 68 through 75 of this chapter, is bound
 29 by an act of the dissociated partner that would have bound the
 30 partnership under section 9 of this chapter before dissociation only
 31 if at the time of entering into the transaction the other party:

- 32 (a) reasonably believed that the dissociated partner was then
- 33 a partner;
- 34 (b) did not have notice of the partner's dissociation; and
- 35 (c) is not considered to have had knowledge under section
- 36 19.7(5) of this chapter or notice under section 59(3) of this
- 37 chapter.

38 (2) A dissociated partner is liable to the partnership for any
 39 damage caused to the partnership arising from an obligation
 40 incurred by the dissociated partner after dissociation for which the
 41 partnership is liable under subsection (1).

42 SECTION 30. IC 23-4-1-58 IS ADDED TO THE INDIANA CODE



AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 58. (1) A partner's dissociation does not of itself discharge the partner's liability for a partnership obligation incurred before dissociation. A dissociated partner is not liable for a partnership obligation incurred after dissociation, except as otherwise provided in subsection (2).**

(2) A partner who dissociates without resulting in a dissolution and winding up of the partnership business is liable as a partner to the other party in a transaction entered into by the partnership, or a surviving partnership under sections 68 through 75 of this chapter, within two (2) years after the partner's dissociation, only if at the time of entering into the transaction the other party:

- (a) reasonably believed that the dissociated partner was then a partner;**
- (b) did not have notice of the partner's dissociation; and**
- (c) is not considered to have had knowledge under section 19.7(5) of this chapter or notice under section 59(3) of this chapter.**

(3) By agreement with the partnership creditor and the partners continuing the business, a dissociated partner may be released from liability for a partnership obligation.

(4) A dissociated partner is released from liability for a partnership obligation if a partnership creditor, with notice of the partner's dissociation but without the partner's consent, agrees to a material alteration in the nature or time of payment of a partnership obligation.

SECTION 31. IC 23-4-1-59 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 59. (1) A dissociated partner or the partnership may file a statement of dissociation under section 19.7(4) and 19.7(5) of this chapter stating the name of the partnership and that the partner is dissociated from the partnership.**

(2) A statement of dissociation is a limitation on the authority of a dissociated partner for purposes of section 19.7(4) and 19.7(5) of this chapter.

(3) For purposes of sections 57(1)(c) and 58(2)(c) of this chapter, a person not a partner is considered to have notice of the dissociation ninety (90) days after the statement of dissociation is filed.

SECTION 32. IC 23-4-1-60 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 60. Continued use of a partnership name, or a**

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1 dissociated partner's name as part thereof, by partners continuing
 2 the business does not of itself make the dissociated partner liable
 3 for an obligation of the partners or the partnership continuing the
 4 business.

5 SECTION 33. IC 23-4-1-61 IS ADDED TO THE INDIANA CODE
 6 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 7 1, 2001]: Sec. 61. A partnership is dissolved, and its business must
 8 be wound up only upon the occurrence of any of the following
 9 events:

10 (1) In a partnership at will, the partnership's having notice
 11 from a partner, other than a partner who is dissociated under
 12 section 53(2) through 53(10) of this chapter, of that partner's
 13 express will to withdraw as a partner, or on a later date
 14 specified by the partner.

15 (2) In a partnership for a definite term or particular
 16 undertaking:

17 (a) the expiration of ninety (90) days after a partner's
 18 dissociation by death or otherwise under section 53(6)
 19 through 53(10) of this chapter or wrongful dissociation
 20 under section 54(2) of this chapter, unless before that time
 21 a majority in interest of the remaining partners, including
 22 partners who have rightfully dissociated under section
 23 54(2)(b)(2) of this chapter, agree to continue the
 24 partnership;

25 (b) the express will of all of the partners to wind up the
 26 partnership business; or

27 (c) the expiration of the term or the completion of the
 28 undertaking.

29 (3) An event agreed to in the partnership agreement resulting
 30 in the winding up of the partnership business.

31 (4) An event that makes it unlawful for all or substantially all
 32 of the business of the partnership to be continued, but a cure
 33 of illegality within ninety (90) days after notice to the
 34 partnership of the event is effective retroactively to the date
 35 of the event for purposes of this section.

36 (5) On application by a partner, a judicial determination that:

37 (a) the economic purpose of the partnership is likely to be
 38 unreasonably frustrated;

39 (b) another partner has engaged in conduct relating to the
 40 partnership business that makes it not reasonably
 41 practicable to carry on the business in partnership with
 42 that partner; or

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(c) it is not otherwise reasonably practicable to carry on the partnership business in conformity with the partnership agreement.

(6) On application by a transferee of a partner's transferable interest, a judicial determination that it is equitable to wind up the partnership business:

(a) after the expiration of the term or completion of the undertaking, if the partnership was for a definite term or particular undertaking at the time of the transfer or entry of the charging order that gave rise to the transfer; or

(b) at any time, if the partnership was a partnership at will at the time of the transfer or entry of the charging order that gave rise to the transfer.

SECTION 34. IC 23-4-1-62 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 62. (1) Subject to subsection (2), a partnership continues after dissolution only for the purpose of winding up its business. The partnership is terminated when the winding up of its business is completed.

(2) At any time after the dissolution of a partnership and before the winding up of its business is completed, all of the partners, including any dissociating partner other than a wrongfully dissociating partner, may waive the right to have the partnership's business wound up and the partnership terminated. In that event:

(a) the partnership resumes carrying on its business as if dissolution had never occurred, and any liability incurred by the partnership or a partner after the dissolution and before the waiver is determined as if dissolution had never occurred; and

(b) the rights of a third party accruing under section 64(a) of this chapter or arising out of conduct in reliance on the dissolution before the third party knew or received a notification of the waiver may not be adversely affected.

SECTION 35. IC 23-4-1-63 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 63. (1) After dissolution, a partner who has not wrongfully dissociated may participate in winding up the partnership's business, but on application of any partner, partner's legal representative, or transferee, the court, for good cause shown, may order judicial supervision of the winding up.

(2) The legal representative of the last surviving partner may wind up a partnership's business.

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(3) A person winding up a partnership's business may preserve the partnership business or property as a going concern for a reasonable time, prosecute and defend actions and proceedings, whether civil, criminal, or administrative, settle and close the partnership's business, dispose of and transfer the partnership's property, discharge the partnership's liabilities, distribute the assets of the partnership under section 67 of this chapter, settle disputes by mediation or arbitration, and perform other necessary acts.

SECTION 36. IC 23-4-1-64 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 64. Subject to section 65 of this chapter, a partnership is bound by a partner's act after dissolution that:

- (a) is appropriate for winding up the partnership business; or
- (b) would have bound the partnership under section 9 of this chapter before dissolution, if the other party to the transaction did not have notice of the dissolution.

SECTION 37. IC 23-4-1-65 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 65. (1) After dissolution, a partner who has not wrongfully dissociated may file a statement of dissolution stating the name of the partnership and that the partnership has dissolved and is winding up its business.

(2) A statement of dissolution cancels a filed statement of partnership authority for purposes of section 19.7(4) of this chapter and is a limitation on authority for purposes of section 19.7(5) of this chapter.

(3) For purposes of sections 9 and 64 of this chapter, a person not a partner is considered to have notice of the dissolution and the limitation on the partners' authority as a result of the statement of dissolution ninety (90) days after it is filed.

(4) After filing and, if appropriate, recording a statement of dissolution, a dissolved partnership may file and, if appropriate, record a statement of partnership authority that will operate with respect to a person not a partner as provided in section 19.7(4) and 19.7(5) of this chapter in any transaction, whether or not the transaction is appropriate for winding up the partnership business.

SECTION 38. IC 23-4-1-66 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 66. (1) Except as otherwise provided in subsection (2), after dissolution a partner is liable to the other partners for the partner's share of any partnership liability incurred under section

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64 of this chapter.

(2) A partner who, with knowledge of the dissolution, incurs a partnership liability under section 64(b) of this chapter by an act that is not appropriate for winding up the partnership business is liable to the partnership for any damage caused to the partnership arising from the liability.

SECTION 39. IC 23-4-1-67 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 67. (1) In winding up a partnership's business, the assets of the partnership, including the contributions of the partners required by this section, must be applied to discharge its obligations to creditors, including, to the extent permitted by law, partners who are creditors. Any surplus must be applied to pay in cash the net amount distributable to partners in accordance with their right to distributions under subsection (2).

(2) Each partner is entitled to a settlement of all partnership accounts upon winding up the partnership business. In settling accounts among the partners, the profits and losses that result from the liquidation of the partnership assets must be credited and charged to the partners' accounts. The partnership shall make a distribution to a partner in an amount equal to any excess of the credits over the charges in the partner's account. A partner shall contribute to the partnership an amount equal to any excess of the charges over the credits in the partner's account.

(3) If a partner fails to contribute, all other partners shall contribute, in the proportions in which those partners share partnership losses, the additional amount necessary to satisfy the partnership obligations. A partner or partner's legal representative may recover from the other partners any contributions the partner makes to the extent the amount contributed exceeds that partner's share of the partnership obligations.

(4) After the settlement of accounts, each partner shall contribute, in the proportion in which the partner shares partnership losses, the amount necessary to satisfy partnership obligations that were not known at the time of the settlement.

(5) The estate of a deceased partner is liable for the partner's obligation to contribute to the partnership.

(6) An assignee for the benefit of creditors of a partnership or a partner, or a person appointed by a court to represent creditors of a partnership or a partner, may enforce a partner's obligation to contribute to the partnership.

SECTION 40. IC 23-4-1-68 IS ADDED TO THE INDIANA CODE



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1 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
2 1, 2001]: Sec. 68. As used in this section through section 75 of this
3 chapter, the following terms have the following meanings:

4 (a) "General partner" means a partner in a partnership and
5 a general partner in a limited partnership.

6 (b) "Limited partner" means a limited partner in a limited
7 partnership.

8 (c) "Limited partnership" means a limited partnership
9 created under this chapter, predecessor law, or comparable
10 law of another jurisdiction.

11 (d) "Partner" includes both a general partner and a limited
12 partner.

13 SECTION 41. IC 23-4-1-69 IS ADDED TO THE INDIANA CODE
14 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
15 1, 2001]: Sec. 69. (1) A partnership may be converted to a limited
16 partnership under this section.

17 (2) The terms and conditions of a conversion of a partnership to
18 a limited partnership must be approved by all the partners or by
19 a number or percentage specified for conversion in the partnership
20 agreement.

21 (3) After the conversion is approved by the partners, the
22 partnership shall file a certificate of limited partnership in the
23 jurisdiction in which the limited partnership is to be formed. The
24 certificate must include:

25 (a) a statement that the partnership was converted to a
26 limited partnership from a partnership;

27 (b) its former name; and

28 (c) a statement of the number of votes cast by the partners for
29 and against the conversion and, if the vote is less than
30 unanimous, the number or percentage required to approve
31 the conversion under the partnership agreement.

32 (4) The conversion takes effect when the certificate of limited
33 partnership is filed or at any later date specified in the certificate.

34 (5) A general partner who becomes a limited partner as a result
35 of the conversion remains liable as a general partner for an
36 obligation incurred by the partnership before the conversion takes
37 effect. If the other party to a transaction with the limited
38 partnership reasonably believes when entering the transaction that
39 the limited partner is a general partner, the limited partner is
40 liable for an obligation incurred by the limited partnership within
41 ninety (90) days after the conversion takes effect. The limited
42 partner's liability for all other obligations of the limited

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partnership incurred after the conversion takes effect is that of a limited partner as provided under sections 44 through 52 of this chapter.

SECTION 42. IC 23-4-1-70 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 70. (1) A limited partnership may be converted to a partnership under this section.

(2) Except as provided otherwise in a limited partnership agreement, the terms and conditions of a conversion of a limited partnership to a partnership must be approved by all the partners.

(3) After the conversion is approved by the partners, the limited partnership shall cancel its certificate of limited partnership.

(4) The conversion takes effect when the certificate of limited partnership is canceled.

(5) A limited partner who becomes a general partner as a result of the conversion remains liable only as a limited partner for an obligation incurred by the limited partnership before the conversion takes effect. The partner is liable as a general partner for an obligation of the partnership incurred after the conversion takes effect.

SECTION 43. IC 23-4-1-71 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 71. (1) A partnership or limited partnership that has been converted under this chapter is for all purposes the same entity that existed before the conversion.

(2) When a conversion takes effect:

(a) all property owned by the converting partnership or limited partnership remains vested in the converted entity;

(b) all obligations of the converting partnership or limited partnership continue as obligations of the converted entity;

and

(c) an action or proceeding pending against the converting partnership or limited partnership may be continued as if the conversion had not occurred.

SECTION 44. IC 23-4-1-72 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 72. (1) Under a plan of merger approved as provided in subsection (3), a partnership may be merged with one (1) or more partnerships or limited partnerships.

(2) The plan of merger must set forth the following:

(a) The name of each partnership or limited partnership that is a party to the merger.

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(b) The name of the surviving entity into which the other partnerships or limited partnerships will merge.

(c) Whether the surviving entity is a partnership or a limited partnership and the status of each partner.

(d) The terms and conditions of the merger.

(e) The manner and basis of converting the interests of each party to the merger into interests or obligations of the surviving entity, or into money or other property in whole or part.

(f) The street address of the surviving entity's chief executive office.

(3) The plan of merger must be approved:

(a) in the case of a partnership that is a party to the merger, by all of the partners, or a number or percentage specified for merger in the partnership agreement; and

(b) in the case of a limited partnership that is a party to the merger, by the vote required for approval of a merger by the law of the state or foreign jurisdiction in which the limited partnership is organized and, in the absence of such a specifically applicable law, by all the partners, notwithstanding a provision to the contrary in the partnership agreement.

(4) After a plan of merger is approved and before the merger takes effect, the plan may be amended or abandoned as provided in the plan.

(5) The merger takes effect on the latest of:

(a) the approval of the plan of merger by all parties to the merger, as provided in subsection (3);

(b) the filing of all documents required by law to be filed as a condition to the effectiveness of the merger; or

(c) any effective date specified in the plan of merger.

SECTION 45. IC 23-4-1-73 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 73. (1) When a merger takes effect:

(a) the separate existence of every partnership or limited partnership that is a party to the merger, other than the surviving entity, ceases;

(b) all property owned by each of the merged partnerships or limited partnerships vests in the surviving entity;

(c) all obligations of every partnership or limited partnership that is a party to the merger become the obligations of the surviving entity; and

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(d) an action or proceeding pending against a partnership or limited partnership that is a party to the merger may be continued as if the merger had not occurred, or the surviving entity may be substituted as a party to the action or proceeding.

(2) The secretary of state is the agent for service of process in an action or proceeding against a surviving foreign partnership or limited partnership to enforce an obligation of a domestic partnership or limited partnership that is a party to a merger. The surviving entity shall promptly notify the secretary of state of the mailing address of its chief executive office and of any change of address. Upon receipt of process, the secretary of state shall mail a copy of the process to the surviving foreign partnership or limited partnership.

(3) A partner of the surviving partnership or limited partnership is liable for:

(a) all obligations of a party to the merger for which the partner was personally liable before the merger;

(b) all other obligations of the surviving entity incurred before the merger by a party to the merger, but those obligations may be satisfied only out of property of the entity; and

(c) all obligations of the surviving entity incurred after the merger takes effect, but those obligations may be satisfied only out of property of the entity if the partner is a limited partner.

(4) If the obligations incurred before the merger by a party to the merger are not satisfied out of the property of the surviving partnership or limited partnership, the general partners of that party immediately before the effective date of the merger shall contribute the amount necessary to satisfy that party's obligations to the surviving entity, in the manner provided in section 67 of this chapter or in the limited partnership act of the jurisdiction in which the party was formed, as the case may be, as if the merged party were dissolved.

(5) A partner of a party to a merger who does not become a partner of the surviving partnership or limited partnership is dissociated from the entity, of which that partner was a partner, as of the date the merger takes effect. The surviving entity shall cause the partner's interest in the entity to be purchased under section 56 of this chapter or another statute specifically applicable to that partner's interest with respect to a merger. The surviving entity is bound under section 57 of this chapter by an act of a general

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1 partner dissociated under this subsection, and the partner is liable
 2 under section 58 of this chapter for transactions entered into by the
 3 surviving entity after the merger takes effect.

4 SECTION 46. IC 23-4-1-74 IS ADDED TO THE INDIANA CODE
 5 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 6 1, 2001]: Sec. 74. (1) After a merger, the surviving partnership or
 7 limited partnership may file a statement that one (1) or more
 8 partnerships or limited partnerships have merged into the
 9 surviving entity.

10 (2) A statement of merger must contain:

11 (a) the name of each partnership or limited partnership that
 12 is a party to the merger;

13 (b) the name of the surviving entity into which the other
 14 partnerships or limited partnership were merged;

15 (c) the street address of the surviving entity's chief executive
 16 office and of an office in Indiana, if any; and

17 (d) whether the surviving entity is a partnership or a limited
 18 partnership.

19 (3) Except as otherwise provided in subsection (4), for purposes
 20 of section 19.5 of this chapter, property of the surviving
 21 partnership or limited partnership that before the merger was held
 22 in the name of another party to the merger is property held in the
 23 name of the surviving entity upon filing a statement of merger.

24 (4) For purposes of section 10 of this chapter, real property of
 25 the surviving partnership or limited partnership that before the
 26 merger was held in the name of another party to the merger is
 27 property held in the name of the surviving entity upon recording
 28 a certified copy of the statement of merger in the office for
 29 recording transfers of that real property.

30 (5) A filed and, if appropriate, recorded statement of merger,
 31 executed and declared to be accurate under section 19.5(3) of this
 32 chapter, stating the name of a partnership or limited partnership
 33 that is a party to the merger in whose name property was held
 34 before the merger and the name of the surviving entity, but not
 35 containing all of the other information required by subsection (2),
 36 operates with respect to the partnerships or limited partnerships
 37 named to the extent provided in subsections (3) and (4).

38 SECTION 47. IC 23-4-1-75 IS ADDED TO THE INDIANA CODE
 39 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 40 1, 2001]: Sec. 75. This chapter is not exclusive. Partnerships or
 41 limited partnerships may be converted or merged in any other
 42 manner provided by law.

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SECTION 48. THE FOLLOWING ARE REPEALED [EFFECTIVE JULY 1, 2001]: IC 23-4-1-20; IC 23-4-1-29; IC 23-4-1-30; IC 23-4-1-31; IC 23-4-1-32; IC 23-4-1-33; IC 23-4-1-34; IC 23-4-1-35; IC 23-4-1-36; IC 23-4-1-37; IC 23-4-1-38; IC 23-4-1-39; IC 23-4-1-40; IC 23-4-1-41; IC 23-4-1-42; IC 23-4-1-43.

SECTION 49. [EFFECTIVE JULY 1, 2001] (a) **Before January 1, 2002, IC 23-4-1, as amended by this act, governs only a partnership formed:**

(1) **after the effective date of this act; or**

(2) **before the effective date of this act if the partnership elects, as provided by subsection (c), to be governed by this act.**

(b) **After December 31, 2001, IC 23-4-1, as amended by this act, governs all partnerships.**

(c) **Before January 1, 2002, a partnership voluntarily may elect, in the manner provided in its partnership agreement or by law for amending the partnership agreement, to be governed by IC 23-4-1, as amended by this act. The provisions of this act relating to the liability of the partnership's partners to third parties apply to limit those partners' liability to a third party who had done business with the partnership within one (1) year preceding the partnership's election to be governed by this act, only if the third party knows or has received a notification of the partnership's election to be governed by this act.**

SECTION 50. [EFFECTIVE JULY 1, 2001] **This act does not affect an action or proceeding commenced or right accrued before this act takes effect.**

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